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ABSTRACT

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 led to an increase in the percentage of Temporary Assistance for Needy Families (TANF) recipients seeking more immediate employment and a decline in the percentage pursuing postsecondary education or degree programs. Since TANF's enactment, several legislative bills have sought to modify TANF to allow more cash assistance to recipients to participate in postsecondary education. Opponents of these proposals fear that changes in TANF designed to increase participation in postsecondary education would undercut current work requirements and expand short-term assistance costs. However, proponents of the proposed changes suggest that expanded educational opportunities could enable TANF recipients to prepare for and find better-paying and more stable jobs. Research has demonstrated a close relationship between education and earnings, and it has been suggested that increasing postsecondary education opportunities for low-income families with children through changes in TANF and other programs aimed at low-income families might eventually reduce state expenditures for public assistance by enabling adults to achieve financial self-sufficiency. Pilot projects in several states and related research studies have confirmed the benefits of increasing postsecondary education opportunities for welfare recipients. (Summaries of the positions of 11 organizations that have examined issues relevant to education/training and TANF reauthorization are included.) (MN)

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Pamela Friedman

Reauthorization Notes
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TANF REAUTHORIZATION RESOURCE

# Reauthorization Notes

Vol. 1, No. 3 September 2001

## TANF Reauthorization and Postsecondary Education Options for Welfare Recipients

Pamela Friedman

### *INTRODUCTION*

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 dramatically changed federal policy on extended education and training options for welfare recipients. Previously, welfare recipients were able to receive cash assistance while participating in long-term training programs. PRWORA emphasizes "work first" and imposes a 60-month lifetime limit on welfare receipt. These changes, along with federal work requirements, have resulted in an increase in the percentage of welfare recipients seeking more immediate employment and a decline in the percentage pursuing postsecondary education or degree programs.

### *ISSUE OVERVIEW*

Postsecondary education includes vocational training, job skills training, education directly related to employment, and two- and four-year college degree or certificate programs. At the present time, up to 12 months of participation in vocational training and many postsecondary programs directly related to employment may count toward the work requirement for a limited proportion of the TANF caseload. The caseload reduction credit has given the states more flexibility. States can and have allowed more education to count toward meeting the work requirement.

Since TANF's enactment, several legislative bills have sought to modify the program to allow more cash assistance recipients to participate in postsecondary education activities. Similar proposals are likely to be advanced during the reauthorization process.

Proponents argue that easing current work requirements and time limit policies would enable more recipients to participate in postsecondary education. They assert that such participation would have a positive impact on post-welfare wages and promote long-term self-sufficiency.

Opponents are concerned that changes designed to increase participation in postsecondary education would undercut current work requirements and expand short-term assistance costs by increasing the number of people who remain on Temporary Assistance for Needy Families (TANF) rolls for longer periods. Some of those opposed to changes in TANF requirements suggest that it would be more appropriate to support low-income parents seeking postsecondary education through, for example, work-study programs, scholarships, and low-cost loans. Doing so would benefit all low-income families, not just those who receive TANF assistance.

*POLICY QUESTIONS*

**How will additional opportunities for TANF recipients to participate in postsecondary education affect TANF caseloads and the long-term prospects of welfare recipients?** Research demonstrates a close relationship between education and earnings. People with more education will earn more money over their lifetimes than those with less education. Yet there is less of a correlation for welfare recipients between participation in specific postsecondary education programs and earnings, compared with those not participating in these programs.

Currently, TANF provides limited postsecondary education opportunities. The number of recipients who can participate is limited, and the focus is on relatively short-term vocational and employment-related programs that prepare recipients for specific jobs. Because these short-term programs have not been widely evaluated, it is not known if they have an impact on earnings. However research has found a positive correlation between completion of more traditional degree programs and higher earnings.

Proponents suggest that expanded education opportunities could enable TANF recipients to prepare for and find better-paying and more stable jobs, particularly those who complete their course of study. This would tend to reduce further cycles of dependency and could significantly improve post-program income. However, not all participants will complete their education programs and some will have other barriers that hinder their ability to find and keep full-time jobs. Moreover, increased participation in postsecondary education may produce short-term increases in TANF caseloads.

**What types of changes in TANF would enable states to increase participation in postsecondary education activities?** Under current law, states have considerable flexibility to use maintenance-of-effort (MOE) dollars for postsecondary education activities. However, the use of federal funds for this purpose is limited because of several factors. States are obligated to meet work participation requirements for TANF recipients, and there are limits on counting participation in a postsecondary education activity as a work activity. Currently, vocational education may count as work. Yet only 30 percent of the caseload, including teen parents engaged in education and training, can be counted, and their participation in vocational education activities is limited to 12 months. Proponents would argue that the five-year time limit on TANF receipt may not provide enough time for long term recipients just beginning a postsecondary education program to complete the program; may not provide enough time for those combining work with school and child rearing; and may require recipients who choose to remain on TANF while pursuing postsecondary education to forego future use of the TANF safety net. Changes in current TANF provisions suggested by proponents of a greater investment in postsecondary education include:

- The definition of what constitutes work could be expanded to include some or all of the time spent in postsecondary education. Changes in the definition of allowable work activities would enable states to increase participation in postsecondary education activities.

- Time spent in postsecondary education activities could be counted as hours of work in proportion to the number of credits earned.

- The current 12-month time limit on vocational education participation could be expanded. A pending amendment to the Social Security Act would allow up to 24 months of vocational education to count as work.

- Work participation rates could be increased, while allowing a broader range of activities to count as work.

· Federal time limits could be extended for recipients making normal progress in a degree program. Another option is to "stop the clock" for students who maintain a specified grade point average.

· Minor legislative changes in the statue signaling the acceptance of time spent in postsecondary education as an allowable work activity could encourage states to place more emphasis on education and training.

If reauthorization results in the implementation of some or all of the changes mentioned above, recipients may remain on welfare for longer periods. They may also require support services such as child care and transportation assistance for extended periods to make school attendance feasible. In the short run, costs to states for tuition and assistance will be higher than under current policy. However, in the long run, state expenditures for public assistance may decline as more adults obtain higher-paying jobs and achieve self-sufficiency.

**What changes in other non-TANF, federal legislation could increase postsecondary education opportunities for low-income parents with children?** Low-income parents, particularly low-income single parents, face challenges not always encountered by others who are pursuing postsecondary education opportunities. These include expenses for transportation, child care, health care and living expenses for their children. Several federal aid programs, including Pell grants, the HOPE scholarship program, and the Lifetime Learning tax credit, provide loans or cover expenses related to education. However, these programs cannot be used to pay for support services.

To expand access to support services beyond the use of TANF, Congress may want to consider changes to federal aid programs, such as providing larger grants and scholarships to cover living costs for families, making the tax credits associated with them refundable, and expanding work-study opportunities. Or Congress could modify them so that eligibility for these programs does not conflict with eligibility for other assistance, such as Medicaid, food stamps, or the Child Care Development Block Grant. In addition, the HOPE scholarship program and the Lifetime Learning tax credit could be revised to make the credits refundable, similar to the Earned Income Tax Credit. This would enable low-income working families to also benefit from their use.

Golonka and Matus-Grossman suggest that deadlines for Pell grants could be extended or be rolling (i.e., not fixed) to give students who enroll in programs that do not follow traditional schedules better access to the funds. Or a portion of the grant funds could be designated for students who enter programs that do not have a fixed starting point. For more information, see Susan Golonka and Lisa Matus-Grossman, *Opening Doors: Expanding Educational Opportunities for Low-Income Workers* (New York, N.Y.: Manpower Demonstration Research Corporation, May 2001), at http://www.mdrc.org/Reports2001/OpeningDoors/ngafinal.pdf.

Although participation in short-term programs or attending class on a part-time basis is more likely to be an approved activity under current TANF guidelines, fewer sources of financial aid are designed to meet the needs of part-time students. In addition, some sources of aid that can be applied to part-time programs are often not available to students, because many individual colleges do not award them to students attending less than half time.

Other federal programs besides TANF are being reauthorized. As these programs are reviewed, it is important for legislators to keep in mind the continued need for essential supports. For example,

only federal work-study income is exempted in meeting the Medicaid and food stamps income limits. Consideration could be given to also exempting state work-study funds. A similar exemption could be used in determining food stamp eligibility. Greenstein and Guyer urge the development of joint application forms for these federal programs.

For more information, see Robert Greenstein and Jocelyn Guyer, *Supporting Work Through Medicaid and Food Stamps* (Washington, D.C.: Center on Budget and Policy Priorities, December 2000), at http://www/fordschool.umich.edu/Conferences/greenstein%20final.pdf.

***CURRENT PRACTICE AT THE STATE LEVEL***

Through several funding streams—MOE, TANF, and state-only—several states have implemented programs to enable TANF recipients to engage in postsecondary education activities. California has allocated $65 million in MOE funds to the community college system. The chancellor's office then allocates the funds to the 108 campuses comprising the system. Most of the money is used for direct services for TANF recipients, including child care, work-study opportunities, and general coordination services. Eleven percent of the current welfare caseload receives these CalWORKs services. Students already in school when they entered CalWORKs, as well as those referred by the county welfare department, count this participation toward their 32 required hours of work. Nearly 25 percent of TANF recipients in California community colleges are in work-study programs. County welfare offices sign off on the annual college plan, ensuring that the services and curriculum to be developed or redesigned will help lead students to high-demand occupations. For more information, contact Judy Reichle at 916/324-2353 or jreichle@cccco.edu.

In Illinois, full-time attendance at a postsecondary education institution is considered a work activity. If attendance is less than full time, or the cumulative grade point average is less than 2.5 on a 4.0-point scale, the client must also work at least 20 hours per week. Associate degree and bachelor's degree programs that qualify the client for a specific job are considered vocational training. Vocational education students have no work requirement for the first 24 months. Full-time students who maintain a grade point average of 2.5 in vocational or postsecondary education programs that result in an associate or bachelor's degree have no additional work requirement, and the TANF 60-month clock stops for up to 36 months. Grants for these students, and for other students whose clock has stopped for other reasons, are supported by MOE funds. TANF funds are used to support the grants of all other students. The state also provides child care assistance for low-income parents enrolled in two- or four-year degree programs. For more information, contact Carla Sheppard at 217/782-1239; or dhsd4028@dhs.state.il.us .

Maine's Parents as Scholars (PaS) functions as an alternative to TANF, allowing low-income students in two- and four-year degree-granting programs to receive a package of aid equivalent to the same transportation, child care, cash assistance, and other services they would have received had they become TANF recipients. Up to 2,000 students can participate annually. Financial eligibility is determined just as it is for TANF. TANF-eligible adults may participate if they lack the skills needed to find work that can support a family at 85 percent of the median state family income, they have the aptitude to successfully complete the program, and the education will improve the family's ability to be self-supporting. First-year students participate in a combination of work, study, education, or training, for 20 hours per week. After 24 months, the participant may work 15 hours per week in addition to class and study time or combine work and class and study time for 40 hours per week. Welfare payments are funded out of state MOE funds; consequently, the clock stops and students are not included in the federal work participation rate requirement. Expenses are covered by a combination of MOE and college financial aid. MOE funds cover support services, and financial aid covers tuition and books; students may receive funds from both sources. For more information, contact Chris Hastedt of the Maine Equal Justice Project at 207/626-7058, ext. 203, or chastedt@mejp.org.

Two state agencies in Pennsylvania are implementing a pilot program to help welfare recipients cover college tuition. The TANF Educational Award Program, administered by the Pennsylvania Higher Education Assistance Agency, offers need-based aid of up to $1,200 per academic year to TANF recipients who are undergraduate students at an approved postsecondary school. The $750,000 in program funds comes from the TANF block grant, and the awards are distributed through the education institution. Currently, about 500 students participate. In budget year 2002,

participation will be open to other low-income students—at or below 235 percent the federal poverty level—under the Pennsylvania Family Works Program. For more information, contact Reginald Irvis of the Pennsylvania Higher Education Assistance Agency at 717/720-2053.

As of March 2000, the West Virginia Department of Human Resources designated MOE funds to support welfare recipients pursuing postsecondary education. Participants enrolled in two- or four-year programs usually continue to receive TANF benefits during their first year. Their education may be considered vocational and, if so, their participation counts toward meeting federal participation requirements for up to 12 months. After their first year, benefits are supported with MOE funds. Participants are required to work 10 hours per week in addition to their schoolwork once they are moved from TANF to MOE. A second state program considers full-time students as meeting the West Virginia Works participation requirement, and students are not sanctioned even though they may not meet federal participation requirements. Students who remain on TANF, however, continue to use up months of their TANF eligibility and count toward the participation rate. For more information, contact Jim Hensley at 304/558-8290 or jimhensley@wvdhhr.org.

***OVERVIEW OF RELATED RESEARCH***

Carnevale and Desroches estimate that by 2006, nearly a third of all new jobs will require education and skill levels beyond those of a high school graduate. Yet, currently, only 7 percent of welfare recipients have advanced skills. Welfare recipients with basic skills comparable to those with a high school diploma would need up to 200 hours of additional education and training to move up to advanced-skilled jobs. The researchers argue that low-income working adults denied the opportunity to increase their skills will continue to struggle to make ends meet for themselves and their families. For more information, see Anthony Carnevale and Donna Desroches, *Getting Down to Business: Matching Welfare Recipients' Skills to Jobs That Train* (Princeton, N.J.: Educational Testing Service, 1999), at http://etsis1.ets.org/pub/corp/16045.pdf.

In a recent study that reviewed the results from evaluations of 29 welfare reform initiatives, the Manpower Demonstration Research Corporation found that the best approach to secure employment for welfare recipients is to provide services that include education and place a strong emphasis on employment. However, the study also found that while most programs reduced reliance on public assistance, and thus reduced costs to states, they did little to make participants better off financially. Although the study maintains that there is little direct evidence on whether postsecondary education affects welfare recipients' earnings, it does state that people who attend adult basic education for substantial periods do benefit. This could be because they qualify for vocational education once they earn a general educational development (GED) certificate. For more information, see Dan Bloom and Charles Michalopoulos, *How Welfare and Work Policies Affect Employment and Income: A Synthesis of Research* (New York, N.Y.: Manpower Demonstration Research Corporation, May 2001), at http://www.mdrc.org/Reports2001/NG-AdultSynthesis/NG-AdultResearchSyn-May2001.pdf.

Kane and Rouse suggest, however, that postsecondary education results in increased earnings. Their research found that even those who do not complete degrees earn more for each year's worth of college credit. For more information, see "The Community College: Training Students at the Margin Between College and Work," *Journal of Economic Perspectives* , vol 13, no 1 (winter 1999); or visit http://www.vanderbilt.edu/AEA/baciss.htm .

Studies as part of the National Evaluation of Welfare-to-Work Strategies have examined the impact of education on job retention and advancement. The studies looked at mandatory welfare-to-work programs that were either employment-based or education-focused. One study found that participants in education-focused programs were slightly less successful than participants in employment-focused programs. In addition, the report maintains that having education beyond high school is closely linked to higher wages later on. Those who were most successful in

sustaining employment over a long period also had access to support services such as transitional child care, employer-sponsored health insurance, and transitional Medicaid. For more information, see Karin Martinson, *The Experiences of Welfare Recipients Who Find Jobs* (New York, N.Y.: Manpower Demonstration Research Corporation, 2001), at http://www.mdrc.org/Reports2001/NEWWS_PE_Experiences/NEWWS-PE-Experiences.htm.

In a second study, Gayle Hamilton found that programs concentrating on human capital development rather than stressing work first cost twice as much to operate, but most of the costs were borne by non-welfare agencies. The study also found that education and training programs produced welfare savings, which was an unanticipated outcome. For more information, see Gayle Hamilton et al., *The National Evaluation of Welfare-to-Work Strategies—Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites* (New York, N.Y.: Manpower Demonstration Research Corporation, 1997), at http://www.mdrc.org/Reports/JOBS2Approaches/JOBS2ApproachesExSum.html. These reports suggest that states could benefit in the long run from supporting low-income workers' participation in postsecondary education because welfare-related expenses would decline.

***INTERESTED PARTIES AND RESOURCES***

Several organizations have begun to assess issues relevant to education and training and TANF reauthorization. Not all have looked specifically at postsecondary education.

The ***Cato Institute*** believes that new applicants should be barred from signing onto the rolls and that those who are receiving assistance should be encouraged to finish high school, not get pregnant outside marriage, and find and keep work. In addition, the organization asserts that Congress should eliminate the state MOE and states should be able to spend saved dollars on other programs. For more information, see the *Cato Handbook for the 107th Congress* at http://www.cato.org//pubs/handbook/hb107/hb107-29.pdf.

The ***Center on Budget and Policy Priorities*** is reviewing work participation issues related to TANF reauthorization. For more information, contact Heidi Goldberg at 202/408-1080.

The ***Center for Community College Policy, Education Commission of the States,*** recognizes the significant role of community colleges in providing education opportunities to welfare recipients and other low-income adults It also recognizes the options open to states in implementing postsecondary programs for recipients and encourages them to take advantage of the flexibility offered in the legislation. For more information, see Michael Allen, *Welfare Reform: Creating Opportunities or Increasing Obstacles* (Denver, Colo.: Education Commission of the States, September 1999). Contact Katherine Boswell at 303/299-3645; or visit http://www.communitycollegepolicy.org.

The ***Center for Women Policy Studies*** examined the role of postsecondary education in helping low-income women move out of poverty and published research showing that a college education is an effective route to economic self-sufficiency. For more information, see Rose Ann M. Renteria et al., *Clipping Our Wings: The Impact of Welfare Reform on the College Aspirations of Low-Income Women* (Washington, D.C.: Center for Women Policy Studies, July 2000). For more information, contact Leslie R. Wolfe at 202/872-1770; or see http://www.centerwomenpolicy.org/programs/education.htm.

The ***Heritage Foundation*** maintains that welfare reform has effectively met the three major goals of PRWORA: the reduction of dependence, the reduction of child poverty, and the reduction of illegitimacy and strengthening of marriage. The foundation maintains that welfare reform should focus on three themes: encouraging marriage, requiring work, and controlling costs. For more information on work underway by the foundation, visit http://www.heritage.org.

**Pending Policy Proposals and Formal Positions Related to Post-secondary Education**

***American Association of Community Colleges (AACC).*** AACC supports making six months of vocational education and training an allowable activity under Welfare-to-Work and emphasizes the need to permit additional time for education activities. The association believes that education and training should remain allowable activities under welfare reform and supports legislation that would make 24 months of postsecondary education a permissible work activity. Contact Angela M. Manso at 202/728-0200 or AMANSO@aacc.nche.edu.

***Building Opportunities Beyond Welfare Reform (BOB) Coalition.*** Among BOB's five goals for TANF reauthorization is eliminating current restrictions on education and training. The coalition maintains that training and education are critical to give poor women access to jobs that will pay them the wages they need to support their families. BOB believes that caps on education and training should be eliminated and that states should not be penalized if they want to address retention and advancement through training and education for welfare recipients. For more information, contact Cpenta Cama at 212/925-6635, ext. 7540; or see http://www.nowldef.org/html/issues/wel/bob.htm.

***Center on Law and Social Policy (CLASP).*** CLASP addressed education and training issues in *Improving Employment Outcomes Under TANF.* The report notes the substantial decrease in families participating in education and training activities, including postsecondary education, since TANF's implementation, in keeping with the legislation's emphasis on work first. Believing that better access to education or training results in better jobs, CLASP recommends that TANF be revised to focus more on reducing family poverty, promoting family economic well-being, and promoting workforce advancement. The center believes that this can be done by promoting a mixed strategy of individualized service, focusing on employment and employer involvement, and setting high goals for participation. For more information, contact Julie Strawn at 202/328-5140 or see http://www.clasp.org/pubs/jobseducation/BlankHaskinsFebruaryFinal.htm.

***National Conference of State Legislatures (NCSL).*** NCSL believes that the federal government should assess education and training policies in conjunction with the needs of the local community and private sector. It urges the federal government to give states the option to include education leading to employment as part of the first 20 hours of work for the purpose of meeting state work participation rates. For more information, contact Lee Posey at 202/624-5400; or see http://www.ncsl.org/statefed/HUMAN.htm.

***National Governors Association (NGA)*** Governors recognize that achieving self-sufficiency and sustained independence from welfare requires more than just an entry-level job and strategies other than cash assistance. They believe that states' ability to implement innovative efforts to assist low-income families must continue. Simplified federal regulations and increased state flexibility will further enhance states' progress in prevention and early intervention as well as their efforts to move families toward self-sufficiency. For more information on NGA's reauthorization activities, contact Susan Golonka at 202/624-5300 or sgolonka@nga.org; or visit http://www.nga.org.

***Welfare-to-Work Partnership.*** The partnership notes that several companies closely affiliated with it have encouraged their welfare-to-work hires to pursue postsecondary degrees by providing tuition reimbursement and other incentives. The organization's business partners support private-sector involvement in promoting education and skills training and believe that efforts to help incumbent workers succeed in the workplace should include greater involvement by the community college system. In addition, ***The Bottom Line for Better Lives: A Report to the President on Welfare-to-Work*** summarizes key issues learned about welfare to work and offers policy recommendations that flow from these lessons. For more information, contact Dorian Friedman at 202/955-3005, ext. 312; or visit http://www.welfaretowork.org.

TANF Reauthorization Resources are intended to assist decision makers, their staffs, and public opinion leaders to access the information they need to make well informed decisions regarding the reauthorization of TANF and other federal programs providing assistance to low income families and children.

TANF Reauthorization Resources include:

- Monthly Update-brief overviews of publications and resources; http://www.welfareinfo.org/tanf_reauthorization.htm;
- Research Summary-short summaries of major new studies and findings;
- Reauthorization Web-a web site providing access to electronic resources;
- Reauthorization E-Mail-a bi-weekly electronic update of new publications and resources;
- TANFREAUTH- a moderated LISTSERV for sharing information on TANF reauthorization; and
- Reauthorization Notes- a periodic publication assessing reauthorization issues.

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